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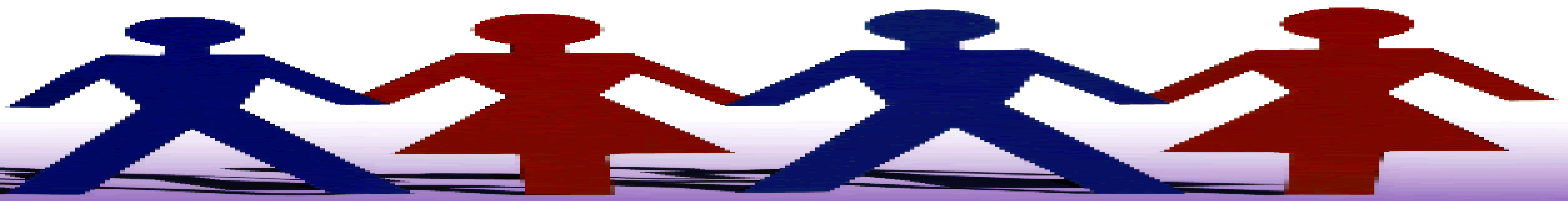
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Queen Margaret University

EDINBURGH

School of Business,
Enterprise and
Management



Keeping it in the family...

- James Cunningham, Claire Seaman -

Why study small family firms?

Small family-based enterprises play an important and dominant role in most economies. Some key figures of the UK sector:

- 36% increase in SMEs (Small to Medium-Sized Enterprises) in the last 16 years¹.
- 74% of these firms considered to be family-based enterprises².
- An estimated 3.6 million family firms in the UK.

Unique abilities over larger counterparts.

For example:

- Their strategic flexibility and promotion of innovation.
- Their considerable labour market function in creating wealth and employment.
- The significant size of the sector³.

Not solely profit orientated!

Reasons for existence differ almost as much as each individual family. For instance, creation and retention of familial employment, dreams of succession to next generation, and the desire to contribute positively to their surrounding environment and communities, are among the many reasons families enter into the fascinating and dynamic environment of a family firm⁴.

Research Aim/Plan:

The planned research will investigate the effects of leadership style on intra-organisational knowledge sharing in small family firms operating in a knowledge intensive marketplace.

Methods:

Initially utilising survey instruments, the investigation seeks to explore the relationship between distinct leadership styles and their subsequent impact on knowledge sharing practices in around 200 firms from the Scottish financial/business services sector. Via purposive sampling more in-depth qualitative interviews will take place with selected participants in order to deepen understanding of the main issues involved.

Implications:

Establishing the effects of leadership style on knowledge sharing will help policy makers, family business advisers, and all levels of family firm management involved in the decision-making processes to realise the full potential of intra-organisational knowledge sharing in small family firms.

Background:

In 2008 a comparative study of German and UK SMEs was conducted in order to suggest reasons for the comparatively low participation of UK firms in international markets.* Results from the qualitative study of 8 firms (4 UK; 4 German) highlighted a number of interesting issues, including:

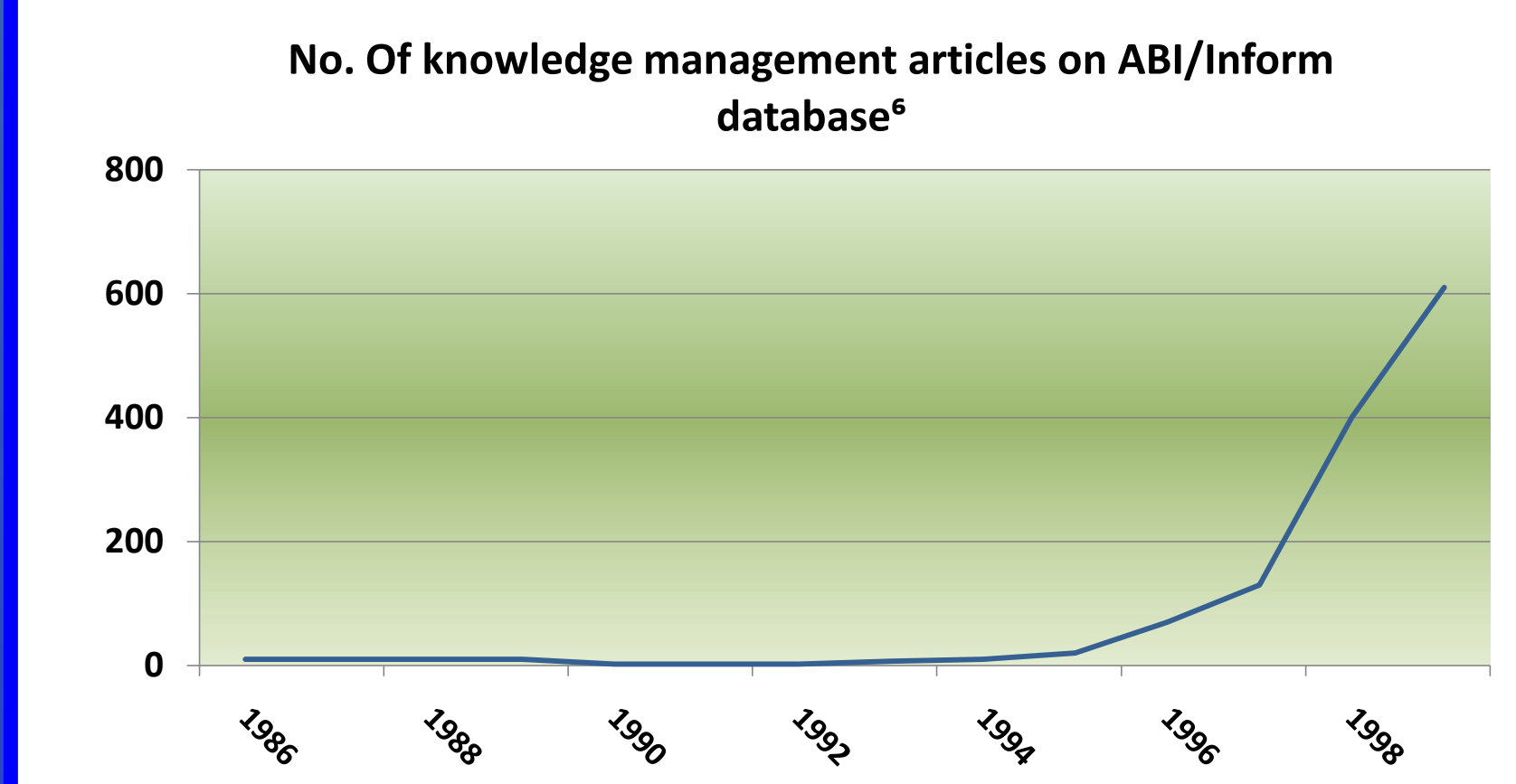
- The significant impact of the owner-manager on organisational culture within the firm.
- An openness to knowledge from all areas of the firm apparently lead to German firms being more willing and able to successfully participate in changing markets (particularly internationally).
- UK firms demonstrated greater levels of owner-manager autonomy in decision-making and knowledge use. This was particularly found in those UK firms with familial-based owner-manager systems.

From the many potential research areas that could be developed from these results, this PhD research will look into the role of leadership in family firm knowledge sharing.

* 2008 study conducted as part requirement of MSc award.

Knowledge Sharing:

- Creation and use of individually held knowledge within the firm.
- Knowledge links firm to its ecosystem; influencing flexibility to changing, dynamic environments⁵.
- Intra-organisational knowledge is only of value when shared, synthesised and used. The key to which is embedded in the development of an open and relationship-orientated organisational culture⁶.
- The steep rise in knowledge management literature is reflective of it's perceived importance to a firm's success:



The Role of Leadership:

Critical and omnipotent, the role of owner-manager leadership impacts all areas of the organisation, not least in the development of intra-organisational knowledge sharing⁷. Specifically, in the following areas^{8 9}:

- Development of organisational culture
- Acknowledgement and utilisation of knowledge other than their own
- Determining the level of influence family objectives have on business operations
- Application of governance controls to both family and non-family members

'Familianness':

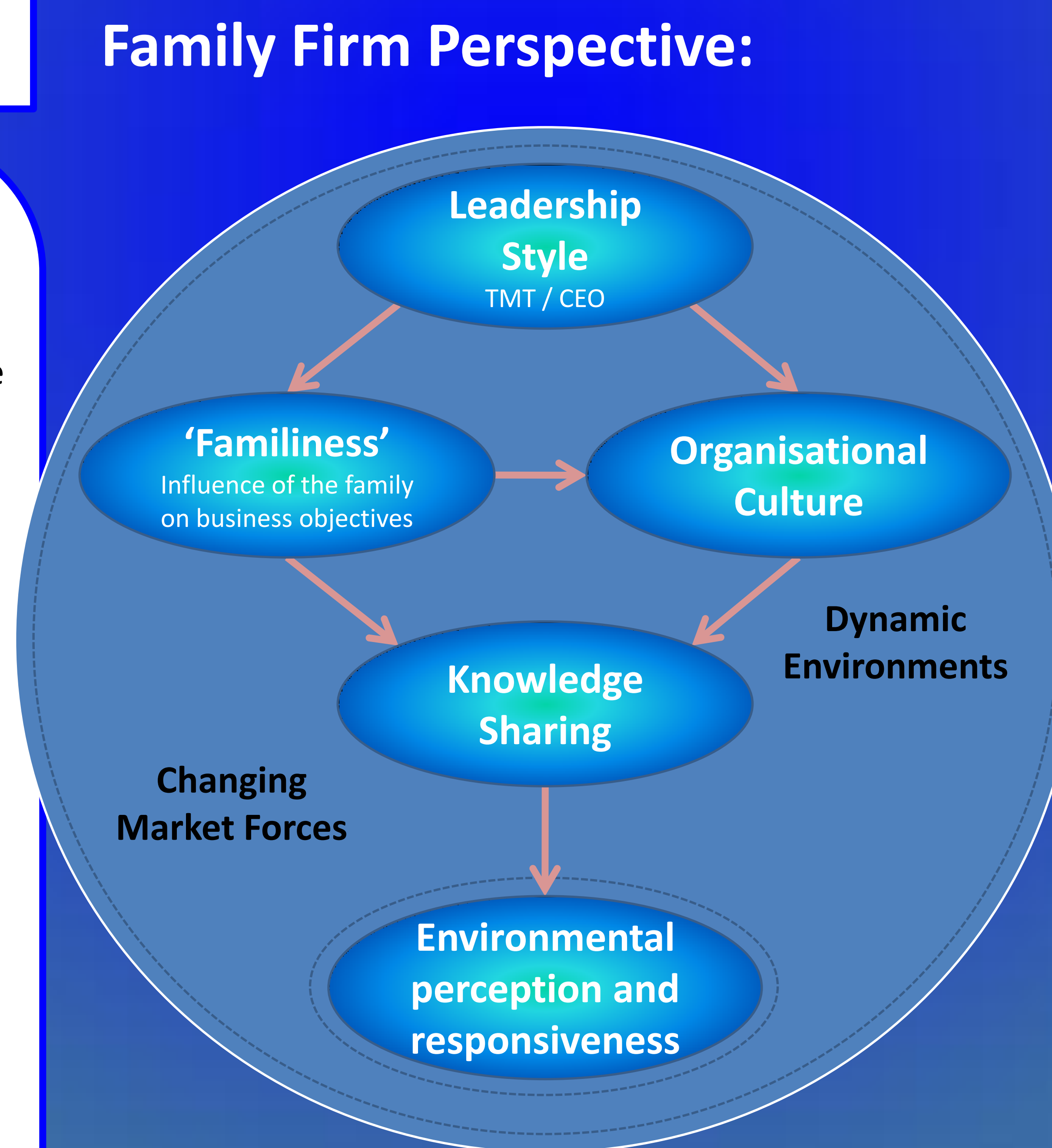
The last two points refer to the notion of 'familianness'; the existence of which sets family firms aside from other private enterprises. 'Familianness' can impact knowledge-sharing as follows:



- Increased levels of trust in relationships
- High frequency of informal discussions (*i.e. 'Out of hours' meetings*)
- Greater commitment from all levels of the firm¹⁰



- Blinded familial autonomy in knowledge retention and decision-making
- Family induced 'group think' scenario
- Exclusion and intentional or unintentional mistreatment of non-family members¹¹



Leadership style critical to *“achieve the culture of support, fairness, trust and reciprocity that is required if knowledge sharing is to be embedded”* (Quintas, 2003, p.41).

Referenced Works:

¹ Department for Business Enterprise & Regulatory Reform (2009) *Small Business Service: SME Statistics 2005, UK and Regions* [online]. Available from World Wide Web: http://www.bes.gov.uk/business/2005/2005_sme_stats.asp [first accessed 24 February 2009].
² Institute for Family Business (2008) *Annual Report 2008* [online]. Available from World Wide Web: <http://www.ifb.org.uk/media/22947/09%20annual%20report%2008%20final.pdf> [first accessed 7 March 2009].
³ Gray, C. (2006) "Absorptive capacity, knowledge management and innovation in entrepreneurial small firms". *International Journal of Entrepreneurial Behaviour & Research*. Vol: 12 Issue: 6 Pages: 345-360.
⁴ Westhead, P. Cowling, M. (1997) "Performance contrasts between family and non-family unquoted companies in the UK". *International Journal of Entrepreneurial Behaviour & Research*. Vol: 3 Issue: 1 Pages: 30-52.
⁵ Treviño-Rodriguez, R. Tapies, J. (2006) "Effective knowledge transfer in family firms". In: Poutziouris, P. Smyrnios, K. Klein, S. ed. *Handbook of Research on Family Business*. Edward Elgar Publishing Ltd. Cheltenham. Pages: 343-357.
⁶ Quintas, P. (2003) "Managing knowledge in practice". In: OECD ed. *Measuring knowledge management in the business sector*. OECD Publications. Canada. Pages: 29-52.
⁷ Zahra, S. (2005) "Entrepreneurial risk taking in family firms". In: Astrachan, J. Pieper, T. Jaskiewicz, P. ed. *Family Business*. Edward Elgar Publishing Ltd. Cheltenham. Pages: 259-276.
⁸ Habbershon, T. (2005) "Commentary: A framework for managing the familiness and agency advantages in family firms". *Entrepreneurship theory and practice*. Vol: 30 Issue: 6 Pages: 879-886.
⁹ Eddleston, K. (2008) "Commentary: The prequel to family firm culture and stewardship: The leadership perspective of the founder". *Entrepreneurship theory and practice*. Vol: 32 Issue: 6 Pages: 1055-1061.
¹⁰ Sonfield, M. Lussier, R. (2009) "Family member and non-family member managers in family businesses". *Journal of Small Business and Enterprise Development*. Vol: 15 Issue: 2 Pages: 196-209.
¹¹ Pava, E. Alfred, T. Maheshwari, A. (1997) "Stakeholder perceptions of culture and management practices in family and family firms - A preliminary report". In: Astrachan, J. Pieper, T. Jaskiewicz, P. ed. *Family Business*. Edward Elgar Publishing Ltd. Cheltenham. Pages: 504-524.